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## OLR Bill Analysis

sSB 2 (File 639, as amended by Senate "A")\*

***AN ACT CONCERNING ELECTRIC CUSTOMER CONSUMER PROTECTION AND CLARIFYING THE PROPERTY TAX EXEMPTION FOR CERTAIN SOLAR THERMAL OR GEOTHERMAL RENEWABLE ENERGY SOURCES.***

**SUMMARY:**

This bill makes substantive changes to provisions concerning the electricity market for residential customers. In this market, residents may choose to purchase electricity from electric companies at the standard service rate or from electric suppliers at an electric generation service rate, which may be variable.

The bill requires the Public Utilities Regulatory Authority (PURA) to redesign the (1) standard billing format for residential customers' electricity bills; (2) customer account summaries on the electric companies' websites; and (3) rate board, the website that provides information on the rates of electric companies and electric suppliers. PURA must also develop a standard summary form of the terms and conditions of the contracts between electric suppliers and residential customers.

The bill prohibits suppliers from raising rates for the first three billing cycles of new supplier contracts entered into on or after July 1, 2014. It also requires electric suppliers to notify residential customers in advance of certain rate changes and prohibits them from charging cancelation or early termination fees to residents who (1) move within the state and do not change suppliers or (2) lack a contract with a supplier and receive month-to-month variable rates. The bill decreases the cap on such fees.

The bill prohibits and restricts certain marketing practices of electric suppliers and also requires PURA to develop and implement additional standards for certain practices, including abusive switching

practices, telemarketing, door-to-door sales, and the hiring and training of sales representatives.

The bill requires electric companies and electric suppliers to distribute certain rate information in bills and mailings, and facilitate transfer of customers in a timely manner. It requires electric suppliers to disclose information on highest and lowest rates charged in the last year, and distribute that information online and with certain notices.

The bill also directs PURA to study the feasibility of switching certain vulnerable customers from electric suppliers to electric companies. If PURA's findings support it, PURA may order these customers to be placed on standard service.

\*Senate Amendment "A" replaces the original file (File 639), which limited property tax exemptions on solar thermal and geothermal energy systems and required PURA to conduct a study of the disclosure of electric supplier contract terms on electric customer bills and the feasibility of redesigning the website that provides information on electric suppliers.

EFFECTIVE DATE: Upon passage, except for (1) provisions requiring supplier disclosure of the highest and lowest electric generator service rates and (2) provisions prohibiting suppliers from increasing rates in the first three billing cycles, which are effective July 1, 2014, and a provision specifying that PURA may investigate the targeting of certain customers with artificially elevated electric generation services rates, which is effective September 1, 2014.

## **§ 1 — STANDARD BILLING AND ACCOUNT SUMMARY PAGE**

### ***Implementation and Timeline***

The bill requires PURA to initiate a docket to redesign (1) the standard billing format to better enable customers to compare pricing policies and charges between suppliers and (2) customer account summaries on an electric company's website. PURA must open the docket by July 1, 2014 and issue a final decision within six months. It must implement the redesigned billing format and customer account

summary by July 1, 2015 and change or repeal any regulations necessary to do so.

PURA must reopen the docket by July 1, 2020 and every five years thereafter to ensure that both the standard billing format and the account summary page remain useful for customers to compare pricing policies and charges of electric suppliers.

***Requirements for Billing Format Redesign and Customer Transfer***

PURA's final decision must require, on the first page of each electric company residential customer bill:

1. the supplier's electric generation service rate, its term, and expiration date;
2. any change to the rate effective for the next billing cycle, and, if there is a rate change, the cancellation fee;
3. notification of whether the rate is variable;
4. the standard service rate, and its term and expiration date;
5. the dollar amount that would have been billed for the electric generation services component had the customer been receiving standard service;
6. an electronic link or web address of the rate board website; and
7. the telephone number and other information enabling the customer to obtain standard service.

By law, customers served by suppliers can choose to have the supplier bill them directly for generation services. It appears that the above information would not appear on the supplier's bill in such cases.

PURA's final decision must also assess the feasibility of:

1. an electric company transferring a residential customer receiving service from one electric supplier to another supplier

in a timely manner;

2. ensuring the electric companies and relevant electric suppliers provide timely information to each other to facilitate the transfer; and
3. allowing residential customers to choose how to receive information related to bill notices, from options including (a) U.S. mail, (b) email, (c) text message, (d) cell phone application, and (e) a PURA-approved third-party notification service.

## **§§ 1 & 2 — INFORMATION REQUIREMENTS**

### ***Bill Inserts and Mailings***

Beginning upon passage of the bill and continuing quarterly for one year, the bill requires electric companies to include, in a bill insert for each residential customer (1) the electric generation service rate (apparently, the standard service rate or the supplier's rate, as applicable), its term, and expiration date; (2) any change to the standard service rate within 45 days of its approval by PURA; and (3) the name of the electric company before any reference to the term "standard service." During the same period, electric suppliers must include, in quarterly mailings to each of their residential customers, (1) the electric generation service rate, its term, and expiration; (2) any change to the rate applying to the next billing cycle and, if there is a change, the cancellation fee; (3) notification if the rate is variable; (4) the standard service rate, its term, and expiration rate; and (5) the dollar amount that would have been billed for the electric generation service component had the customer been receiving standard service.

### ***Electronic Billing***

The bill requires electric companies, starting July 1, 2015, to email a link to the customer's bill and confirmation of payment to any residential customer who does not receive a bill through U.S. mail and is enrolled in automatic electronic bill payments.

## **§§ 2-4, 6 — SUPPLIER CONTRACTS AND MARKETING**

***Standard Summary Form for Electric Generation Services Contract***

The bill requires PURA to initiate, by January 1, 2015, a contested proceeding to develop a standard summary form of the terms and conditions of the contract for electric generation services signed by residential customers. By law, a customer can initiate service without signing a contract.

The bill requires the summary form to include:

1. the rate the customer will pay, its term, and expiration date;
2. whether the rate is fixed or variable;
3. whether the contract will automatically renew;
4. notice of the customer's right to cancel service;
5. information on the air emissions and resource mix of generation facilities operated by, and under long-term contract to, the electric supplier;
6. the supplier's trade name;
7. the supplier's toll-free telephone number for customer service;
8. the supplier's website; and
9. PURA's toll-free phone number for customer complaints.

By law, electric suppliers must provide all potential customers with a written notice describing the rates, information on air emissions and resource mix of generation facilities operated by and under long-term contract to the supplier, terms and conditions of service, and a notice describing the customer's right to cancel the service. Under the bill, beginning January 1, 2015, for potential residential customers, electric suppliers must instead provide the completed summary form of terms and conditions in the contract.

***Notification Requirements for Rate Changes***

By law, electric suppliers must provide a written notice to residential customers of any change to the customer's electric generation price between 30 and 60 days before the expiration of a fixed-price term. The bill requires electric suppliers to additionally provide written notice to any residential customer (1) 45 days before charging a month-to-month variable rate following the expiration of any contract entered into after the bill's passage and (2) 15 days before the effective date of any rate change that is 25% more than (a) the original contract price or (b) the last rate notification provided by the electric supplier. It appears the latter provision applies to existing contracts. Under the bill, customers must choose the method of written notice at the time the contract is signed or verified through third-party verification. Available methods must include (1) written notice through U.S. mail, (2) email, (3) text message, (4) cellphone application, and (5) PURA-approved third-party notification service. The bill allows the customer to change the notification method at any time during the contract.

By law, electric suppliers may renew a contract by clearly informing the customer in writing, between 30 and 60 days before the renewal date, of the renewal terms and the option not to accept the renewal offer. The bill requires this notice to include a summary of any new or altered contract terms.

### ***Highest and Lowest Rates***

Beginning July 1, 2014, the bill requires electric suppliers, as a condition of continued licensure, to disclose the highest and lowest electric generation service rate charged by the supplier as part of a variable rate offer in each of the last 12 months to any customer eligible for standard service. They must post this information monthly to their websites and make it available for publishing to PURA's website. Upon passage of the bill, they must also include the information with the written notice required by the bill following the expiration of a contract between a customer and a supplier before charging a month-to-month variable rate.

### ***Additional Contract Requirements***

The bill also prohibits suppliers from raising rates for the first three billing cycles of supplier contracts entered into on or after July 1, 2014.

Under the bill, upon the request of an eligible residential customer to transfer to standard service, electric companies must transfer the customer within 72 hours. A transferred customer must stay on standard service through the billing cycle. The bill requires electric companies to transfer customers to the electric generation service rate of an electric supplier within 45 days after receiving the enrollment from the supplier.

The bill also ensures that customers who change residences within the state may receive immediate service from the electric supplier they had before the move. It prohibits an electric supplier from considering such a move as a termination or early cancellation of a contract, and lowers the cap on all termination fees to \$50 from \$100 or twice the estimated bill for energy services for an average month, whichever is less. It also prohibits charging such fees to customers who lack a contract with a supplier and receive month-to-month variable rates.

### ***Marketing Practices***

The bill requires each electric supplier to develop and implement standards and qualifications for employees and third-party agents engaged in the sale or solicitation of electric generation services.

The bill prohibits representatives or agents of electric suppliers or aggregators from:

1. wearing apparel, carrying equipment, or distributing materials that include (a) the logo or emblem of an electric company or (b) any language suggesting a relationship that does not exist between an electric company, government agency, or other supplier; or
2. making any statement suggesting a prospective customer is required to choose a supplier.

By law, electric suppliers, aggregators, or agents of an electric

suppliers or aggregators must, in a conspicuous part of any advertisement or disclosure that includes an advertised price, indicate the expiration of the advertised price in at least 10-point font. Under the bill, they must also indicate any fixed or recurring charge, including any minimum monthly charge.

### ***Development and Implementation of Additional Standards***

Under the bill, PURA must initiate a contested proceeding by July 1, 2014 and issue a final decision within six months to develop and implement standards for electric suppliers on (1) abusive switching practices, solicitations, and renewals; (2) the hiring and training of sales representatives; (3) door-to-door sales; and (4) telemarketing practices. The bill requires PURA to alter or repeal any relevant regulations to accomplish this. The proceeding must also examine a disclosure statement for the promotional materials of electric suppliers directing customers to information on the highest and lowest electric generation service rate charged by the supplier as part of a variable rate offer in each of the last 12 months to any customer eligible for standard service.

### ***Switching Certain Customers to Standard Service***

By law, PURA must conduct investigations of any possible anticompetitive or discriminatory conduct affecting the retail sale of electricity, or any unfair or deceptive trade practices. Effective September 1, 2014, the bill specifies that PURA may investigate any targeting with artificially high electric generation service rates of customers who are eligible for standard service and who:

1. are hardship cases (see BACKGROUND),
2. have money deducted from a delinquent account by electric companies,
3. receive other financial assistance from an electric company,
4. are otherwise protected by law from shut-off of electricity services.



The bill also allows PURA to initiate a docket to review the feasibility, costs, and benefits of switching customers in these categories who receive electric generation services from electric suppliers to standard service from an electric company. The bill authorizes PURA, in its final decision, to order all such customers to be placed on standard services. If PURA makes this order, they must reopen the docket at least every two years.

## **§ 5 — THE RATE BOARD**

The bill requires PURA to redesign the rate board to better enable customers to compare pricing policies and charges among electric suppliers. Under the bill, the redesign must:

1. reflect best practices of similar rate boards in other states;
2. include development of a process to remove a supplier's price listing based on PURA's protocols; and
3. emphasize (a) uniformity in how suppliers provide information for each category on the rate board, (b) ease of use by customers, and (c) ease of selecting and purchasing a specific contract from a supplier listed on the rate board. PURA must review the rate board by July 1, 2017 and every two years thereafter.

## **BACKGROUND**

### ***Hardship Cases***

By law, a "hardship case" includes any customer:

1. receiving local, state or federal public assistance;
2. whose sole source of financial support is Social Security or Veterans' Administration or unemployment compensation benefits;
3. who is head of the household and is unemployed, with a household income less than 300% of federal poverty level (FPL);
4. who is seriously ill or who has a household member who is

seriously ill;

5. whose income falls below 125% of the FPL; and
6. whose circumstances threaten a deprivation of food and the necessities of life for the customer or dependent children if payment of a delinquent bill is required.

***Legislative History***

The Senate referred the original bill (File 264) to the Finance, Revenue and Bonding Committee, which reported a substitute that eliminates the file's sales and use tax exemption for certain solar lighting systems.

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable Substitute

Yea 23 Nay 0 (03/18/2014)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 0 (04/11/2014)